

# French Finance and Italian Unity: The Cavourian Decade\*

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"ON the morrow of Solferino France gave its gold after its blood. . . . The financial campaign followed the military campaign."<sup>1</sup> Writing in 1863, the author of these words sought to emphasize the fact that French contributions to Italian unity did not end with the withdrawal of the French expeditionary force from Italy after the War of 1859. In fact, however, the military campaign followed an earlier financial campaign. Between 1848 and 1860, Frenchmen invested more than one billion gold francs in both public securities and private enterprises in the Kingdom of Sardinia. The activities of French bankers, investors, and engineers helped lay the foundations of economic development and financial stability in Piedmont which supported the diplomacy of Cavour and prepared the way for military collaboration with Napoleon III.

## I

French investments in Piedmont formed part of a much larger outflow of French capital in the nineteenth century.<sup>2</sup> France experienced no rapid transformation to an industrial economy as did England between 1785 and 1850, or Germany and the United States after 1870; but throughout the first half of the nineteenth century, there was a steady growth of modern industry, a growth that reached its peak intensity in the decade between the Revolution of 1848 and the Austro-Italian War of 1859 and made the France of the Second Empire the wealthiest nation on the Continent.<sup>3</sup> By 1850,

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<sup>1</sup> *L'Industrie* (Paris), Mar. 7, 1863.

<sup>2</sup> See Rondo E. Cameron, *French Foreign Investment, 1850-1880* (Chicago, 1952), available on microfilm from the University of Chicago Libraries.

<sup>3</sup> For general surveys of French industrialization, see Henri Sée, *Histoire économique de la France*, Vol. II (2d ed.; Paris, 1951), and Arthur Louis Dunham, *The Industrial Revolution in France, 1815-1848* (New York, 1955).

mechanical spinning and weaving of silk, cotton, and woollens, introduced in the first third of the century, produced almost 50 per cent of all French exports. Coal production rose from less than a million tons in 1815 to about five million in 1850, and more than eight million in 1860. The iron industry, utilizing primarily the ancient charcoal technique, doubled its output from 1825 to 1850; reorganized on the basis of coke smelting, its output increased by 250 per cent within the next decade. The installed horsepower of steam engines in industry increased tenfold between 1840 and 1870; other sources of mechanical power existed in the old-fashioned water wheels still in use and in the new hydraulic turbine developed by the Frenchman Benoît Fourneyron in 1832. In the latter year, France's first steam railway began operations; by 1850, three thousand kilometers of track were open; nine thousand by 1860; and eighteen thousand by 1870. Steamshipping, already important for internal transport before 1850, increased rapidly in overseas commerce thereafter.

Other factors joined technological advance to favor the rapid growth of wealth. Foreign commerce doubled between 1830 and 1850, and doubled again by 1860. Under the stimulus of increased world gold production, of which France received a disproportionate share, the price level rose by more than 50 per cent between 1850 and 1857. Wages lagged behind prices, resulting in a redistribution of income in favor of the propertied classes and contributing to the great speculative boom that made Paris the world's leading capital market in the 1850's.

The transformation of the French banking system produced a similar effect. After 1848, the Bank of France greatly extended its credit facilities, especially those concerned with stock market operations. The *Crédit Mobilier*, first of the great corporate investment banks, opened its doors in 1852. Its competition with the leader of the old established private banks, the Paris House of Rothschild, forced the latter to adopt more aggressive methods in the attempt to retain its preeminence in financing governments, foreign commerce, and especially new industrial enterprises.

The net result of all these factors was that the annual increase in the national wealth of France, which had averaged between 2 and 3 per cent in the first half of the century, rose to 5 per cent or more in the 1850's.<sup>4</sup>

In spite of the rapid accumulation of capital, the domestic demand, apart from the requirements of government and the nonrecurring expenditure for the construction of railroads, was not great. The French population was

<sup>4</sup> For a discussion of both the supply of and demand for capital, see Cameron, *op. cit.*, chap. i and the references there cited.

virtually stagnant in the 1850's; the slight increase that did take place resulted mainly from immigration. Many French enterprises, especially in light industries such as textiles, were tightly-controlled family firms which rarely, if ever, sought capital from outside sources. Finally, the relative scarcity of mineral resources in France, particularly coal and the nonferrous metals, made domestic investment in these and related industries less attractive in comparison with similar investments abroad.

The foreign demand for French capital more than compensated for the relative weakness of the domestic demand. As in France itself, the real or fancied needs of government were responsible for the greater part. In the nineteenth century, public debts increased apace for the construction of public works such as railroads and harbors, for building and maintaining larger armies and navies, or simply to make up for the inefficiency and corruption of governments. By the century's end, only little San Marino, of all the states of Europe, was without its public debt.

The second largest foreign demand for capital was for the construction of railways. Britain, which in the earliest days of the steam railway had first begun its own system and then contributed to developments in nearby nations, notably France, increasingly turned its attention to overseas areas. From the middle of the century onward, Frenchmen shouldered the largest part of the burden in financing and constructing European railways. As early as 1860, Frenchmen could say: "What England has done for our railways, we in our turn have believed ourselves able to do for the rest of Europe. There exist today very few railways on the Continent in which French capital has not taken the largest part in their establishment."<sup>5</sup> Paris was "virtually the only market" for Spanish, Swiss, and Italian rail securities, as well as the principal market for those of Portugal, Russia, and the Austrian Empire.

Foreign governments came of their own accord to the Paris capital market where French bankers, who reaped large underwriting profits and commissions, eagerly received them. At the same time, French promoters and entrepreneurs scoured Europe in their search for likely concessions for railroads, banks, insurance companies, canals, mines, and miscellaneous enterprises of all varieties. One of the happiest hunting grounds of these avid searchers was France's diminutive neighbor with big ideas, the Kingdom of Sardinia.

## II

French investors bought Italian securities long before there was an Italian government, but they confined their earliest investments almost entirely to

<sup>5</sup> François Blanc, *Des valeurs étrangères en France* (Paris, 1860), p. 6.

the public funds of resolute opponents of Italian unity: the Kingdom of the Two Sicilies, the States of the Church, and the petty princelings of central Italy.<sup>6</sup> However, after the abortive uprisings of 1848–1849, in which Piedmont prematurely attempted to drive Austria from the Italian peninsula, French capitalists helped liquidate the costs of the wars and pay the indemnity of seventy-five million lire which Austria exacted from its hapless victim.<sup>7</sup> Baron James de Rothschild, of Paris, was the principal intermediary in these transactions.

The Rothschild family, with branches in Frankfurt, London, Vienna, and Naples as well as Paris, had been the principal bankers of the Austrian Empire and its Italian satellites ever since the Congress of Vienna but had had very few dealings with Piedmont. One reason, no doubt, was the moribund state of affairs, both politically and economically, of the latter country before 1848. The government of Carlo Alberto and his predecessors was a miserly autocracy of the old style which had few occasions to incur debt, and the semi-feudal economy provided slight incentive for private investments. When the Austrian government engaged Baron James to transmit the indemnity payments, therefore, it gave him the inside track to the Sardinian finance ministry. Thereafter he played a leading role in both public and private finance in Piedmont, later in the Kingdom of Italy—much to Austria's chagrin.

Piedmont's finances were in a precarious condition as a result of the war costs and the indemnity, and its public debt tripled in the three years following 1848. Rothschild underwrote virtually the entire increase in Paris at ruinous rates for the country. Giovanni Nigra, the first finance minister under the new *Statuto* of 1848, which created a bicameral legislature and responsible cabinet on the English model, had the responsibility for raising loans. To cover actual and anticipated deficits for 1850 and 1851, the parliament in the summer of 1850 authorized Nigra to issue six million lire in 5 per cent *rentes*, thus constituting a nominal capital of 120 million lire.<sup>8</sup> Rothschild, using a

<sup>6</sup> Isadore Sachs, *L'Italie, ses finances et son développement économique, 1859–1884* (Paris, 1885), pp. 445–58; Egon C. Corti, *The Rise of the House of Rothschild* (New York, 1928), *passim*, and *The Reign of the House of Rothschild* (London, 1928), *passim*. The pagination of Corti's books differs slightly in the English and American editions; my references hereafter are to the American edition of *Rise* and the English edition of *Reign*.

<sup>7</sup> Camillo di Cavour, "Mémoire sur les opérations financières exécutées sous le Ministère de Mr. de Cavour," (1852), in Luigi Chiala, ed., *Lettere edite ed inedite di Camillo Cavour*, 7 vols. (1st ed.; Turin, 1883–88), I, 313; *Journal des économistes*, XXIV (October, 1849), 424.

The gold lira, equivalent to the gold franc, was worth approximately 20 cents in pre-1914 gold dollars. There is no accurate method of measuring its value in terms of present-day currencies, but one may say that the purchasing power of a gold lira (or franc) in the 1850's was roughly the same as that of a United States dollar in the 1950's.

<sup>8</sup> Cavour, "Mémoire," *Lettere*, I, 314.

veiled threat to depress the prices of all Sardinian securities if he did not get the contract, took 500,000 in *rentes* at a fixed price and agreed to sell an additional 3,500,000 on commission for what the market would bring. By the end of the year, with almost two million of the original bloc unsold, prices were so low that Rothschild persuaded Nigra to halt sales temporarily and accept an immediate advance of twenty-five million from him.<sup>9</sup>

This was one of Rothschild's favorite gambits. Once he conditioned a government to accept temporary advances to tide over emergency periods, it rarely ever regained its financial independence. As though addicted to a habit-forming drug, it returned again and again for new injections.

### III

One member of the government saw at once where this policy would lead. Count Camillo Benso di Cavour, minister of marine, commerce, and agriculture, had already subjected his colleague to sharp criticisms in the Chamber of Deputies for allowing the country's finances to fall into such a state.<sup>10</sup> When James de Rothschild visited Piedmont in October, 1850, to sign the contract for the four million in *rentes*, Cavour left Turin for the mountains in order to avoid meeting him and seeming to share the responsibility for the operation.<sup>11</sup> Although Cavour could not prevent Nigra either from giving the contract to Rothschild or from accepting the temporary advance, his ringing denunciations of financial incompetence soon forced Nigra out of the cabinet. In April, 1851, Cavour himself accepted the post of minister of finance.<sup>12</sup>

Cavour was no novice in financial and economic questions. As a young man, he pioneered in scientific agriculture in Piedmont and made several fortunes trading and speculating in grain, silk, securities, and foreign exchange. He played a leading role in founding the Bank of Turin and the first railway conceded to a private company in Piedmont. To his practical experience, he added years of study of history, politics, and economics, and he was an enthusiastic if undogmatic follower of the English classical school of political economy.

In 1850, Cavour entered the government and immediately put his principles into practice. The government had already taken a few hesitant steps

<sup>9</sup> *Ibid.*

<sup>10</sup> *C. Benso di Cavour—Discorsi parlamentari*, 10 vols. [series incomplete] (Florence, n.d.), II, 176 ff. *et passim*.

<sup>11</sup> Cavour to Emile de la Ruë, Oct. 6, 1850, in Amédée Bert, ed., *C. Cavour: Nouvelles lettres inédites* (Turin, 1889), pp. 399-400.

<sup>12</sup> *Ibid.*, Apr. 8, 1851, p. 417.

to promote industry, lower the grain duty, and abolish differential navigation dues, but the rapidity with which Cavour instituted reforms astounded even his Liberal colleagues. Within a month, he negotiated a new trade treaty with France, followed shortly by others with Belgium, England, Switzerland, Holland, Norway, the Zollverein, and even with Austria. Between 1850 and 1855, exports increased by 50 per cent while imports almost trebled; the resulting heavy adverse trade balance was made up by French investments in Piedmont.<sup>13</sup> The French minister at Turin had frequent occasion to comment favorably on the progress of the country and to indicate among its causes the "transition . . . [to the system] of commercial liberty."<sup>14</sup>

Not content with the promotion of freer trade, Cavour sought to stimulate the domestic economy with laws abolishing the municipal taxes on bread, eliminating the last remaining feudal dues, encouraging joint stock companies, promoting agricultural credit and education, reforming the postal system, and overhauling the administration of the navy. One of his most notable reforms was the removal of the naval arsenal from Genoa to La Spezia to permit the enlargement and reequipping of the Genoese harbor as a first-class port.

Both in office and out, Cavour consistently advocated the use of foreign capital and foreign enterprise to help develop Piedmont to the point that it could stand on its own feet. Time and again after he assumed leadership in the government, he stressed that financial order and economic progress were the two "indispensable conditions" for Piedmont to assume, in the eyes of Europe, the leadership of the Italian peninsula—and these it could achieve only with foreign aid.

As the director charged with supervising construction of the Turin-Savigliano railway, Cavour in 1850 obtained the services of two French engineers on the recommendation of Adolphe d'Eichthal, a Parisian banker and railway director. Regarding the choice between French and English engineers (to his mind these were the only alternatives), he wrote: "We preferred a French to an English engineer for the simple reason that the English are spendthrifts, and even at that we could not get a passable man except for an outrageous price."<sup>15</sup> As a member of the government, Cavour was responsible for granting concessions to French entrepreneurs and engineers for

<sup>13</sup> Gourand, branch manager of the Bank of France in Grenoble, to Count de Germiny, governor of the Bank of France, Grenoble, Apr. 11, 1860, Archives of the Bank of France. See also Bolton King, *A History of Italian Unity*, 2 vols. (3d impr. rev.; London, 1924), II, 2; and Roberto Tremelloni, *Storia dell'industria italiana contemporanea* (Turin, 1947), pp. 262 ff.

<sup>14</sup> Duke de Guiche to Ministre des Affaires Étrangères, Turin, Mar. 3, 1854, Archives Nationales (France), F<sup>14</sup>.8627.

<sup>15</sup> Cavour to De La Ruë, July 4 and 11, 1850, *Nouvelles lettres*, pp. 385, 387.

railways, gas companies, banks and insurance companies, mining privileges, and even agricultural development.

After becoming prime minister in 1852, Cavour divested himself of direct connection with commercial and industrial undertakings, but he continued to advise his friends and countrymen in their private economic affairs and to implore them to utilize the best talent, even when that meant importing it from abroad. The project for enlarging the harbor of Genoa occupied him throughout the 1850's, and the narrow viewpoint and limited horizons of the local businessmen drove him to distraction on more than one occasion. As early as 1852 he wrote: "If the city of Genoa refuses to take charge [of the project] one can find the capital in Paris without difficulty."<sup>16</sup> He was still writing in the same vein in 1856 when he suggested that his friends in the *Crédit Mobilier* might be interested and in 1858 when, to his great disgust, the city fathers gave up the project altogether.<sup>17</sup> In the end, Genoa got its new harbor through the bequest of a Paris banker, rather than through any efforts on the part of the local businessmen.<sup>18</sup>

#### IV

Important as were his reforms while minister of agriculture and commerce, Cavour first clearly demonstrated his great diplomatic talents as minister of finance. The situation he faced upon taking that office in 1851 was not an enviable one. A hasty survey showed a current deficit of some sixty-eight million lire—roughly 40 per cent of the budget. Cavour had to raise immediately eighteen million lire to repay advances from the Banca Nazionale, thus enabling it to resume specie payments; repay the advances from Rothschild to halt the drain on the treasury created by the exorbitant interest charges; and dispose of the remainder of the *rentes* created the previous year.<sup>19</sup> Moreover, within a relatively short period another large loan would

<sup>16</sup> *Ibid.*, Paris, Sept. 13, 1852, p. 441.

<sup>17</sup> *Ibid.*, Turin, Feb. 10, 1856, and Jan. 23, 1858, pp. 508, 529. The French *Société Générale du Crédit Mobilier*, founded in 1852 by the brothers Émile and Isaac Pereire with the collaboration of the Paris banking house of B. L. Fould et Fould-Oppenheim, was the most famous financial institution of its time; see Cameron, "The *Crédit Mobilier* and the Economic Development of Europe," *Journal of Political Economy*, LXI (1953), 461-88.

<sup>18</sup> Raffaele Ferrari, Duca di Galliera (1803-1876), was a Genoese nobleman who spent his adult life in Paris making an already large fortune into the largest in Italy through his speculations and banking activities. He was a sometime director of the *Crédit Mobilier*, which he deserted to become an associate of the Rothschilds. When his only surviving son embraced socialism, he willed his entire estate to the city of Genoa, with a special provision of twenty million francs for rebuilding the harbor. See Duca di Galliera to Marco Minghetti, Dec. 7, 1875, Biblioteca dell'Archiginnasio, Bologna; copy in Mostra del Porto de Genova, *Catalogo della mostra tecnico-storica del Porto di Genova* (Genoa, 1953); also *Gazzetta di Genova*, Nov. 24, 1876, and Giuseppe Morgavi, *Rievocazioni Genovesi* (Genoa, 1954), pp. 24 ff.

<sup>19</sup> Cavour, "Mémoire," *Lettere*, I, 314.

be necessary to pay the last installment of the indemnity to Austria and resume construction of the state railway from Turin to Genoa.

Sollicitous, as always, of the welfare of his clients, James de Rothschild offered fresh advances to Cavour to tide him over during his first few months in office. But Cavour resolutely turned his back on the tempter. Not for this had he created a ministerial crisis. He was determined to show Rothschild and Europe, once and for all, that Piedmont was not tied to Rothschild's purse strings.<sup>20</sup>

The course Cavour set for himself was a bold one which, he knew, would encounter the gravest sort of opposition from the rejected financier; but once he set out upon it he dared not turn back. An issue of treasury bonds, an innovation in Piedmontese finance, sufficed to repay the bank its temporary advances and elicit more. Another innovation, public subscription in Piedmont for eighteen million lire in standard government bonds, was an overwhelming success which called forth almost double the amount of the issue in subscriptions.<sup>21</sup> But the boldest step of all was the decision to raise a new large loan, not in France and not through the Rothschilds but in England, where until then Piedmontese securities had been all but unknown. Cavour's emissaries had first approached Baring's, the financiers of France's Napoleonic indemnities; but Baring's knew that a Rothschild offer had been spurned and dared not attempt the issue of a loan that would be opposed by the greatest financial power in Europe.<sup>22</sup>

Better luck was had with C. J. Hambro & Son, a relatively small house, but one which was highly respected both in England and in Scandinavia, where it was banker to the court of Denmark. The face amount of the loan was 3,600,000 pounds sterling which, at an issue price of eighty-five for the 5 per cent bonds, would have brought in more than seventy-five million lire to the Sardinian treasury. The price of issue created a stir in financial circles, for it was 2 per cent above the price of the Sardinian 5 per cent *rentes* on the Paris market.<sup>23</sup>

Public subscriptions opened in London in the first week of July, 1851, but sales were not rapid. Cavour, as soon as he took over as finance minister, had ordered Rothschild to sell the remainder of the 1850 *rentes* at whatever price they would bring. Rothschild had already begun to depress the prices of all Piedmontese securities and, as soon as the loan was opened, he threw on to

<sup>20</sup> Cavour to E. d'Azeglio, Turin, Apr. 25, 1851, in Nicomède Bianchi, ed., *La politique du Comte Camille de Cavour de 1852 à 1861* (Turin, 1885), pp. 1-2.

<sup>21</sup> Cavour, "Mémoire," *Lettere*, I, 315.

<sup>22</sup> Cavour to D'Azeglio, Turin, May 9, 1851, *Politique du Comte Cavour*, pp. 6-7.

<sup>23</sup> Cavour, "Mémoire," *Lettere*, I, 316; *The Times* (London), July 1, 1851.



the market all of his own substantial holdings of the 5 per cent *rentes*. As the subscription dragged, Rothschild quipped: "L'emprunt est ouvert, mais pas couvert."<sup>24</sup> But enough came in (£2,200,000) to meet the most pressing obligations of the government, and, even more surprising, the first market transaction took place at a premium despite all that Rothschild could do.<sup>25</sup> The remainder of the issue sold gradually over the next year at premium prices which brought into the treasury a million lire more than anticipated. Thus did Cavour issue Piedmont's declaration of financial independence of the Rothschilds.

But Cavour had no idea of doing without the services of that eminent house permanently. Indeed, in the midst of the issue, when James de Rothschild was doing his best to depress the prices, Cavour ordered his emissary in London to transmit the proceeds of the loan to Paris, where they would be used to settle the Austrian indemnity, through the intermediary of the Rothschilds, "in order not to alienate altogether that great financial power."<sup>26</sup> Such was the way of Cavour; and it was characteristic of Rothschild, as well, to bear no malice in money matters once the issue was settled. Cavour continued to use Rothschild whenever the occasion demanded and the price was right—as it usually was, after that affair—particularly for transmitting bills on London to pay interest and amortization on the Anglo-Sard, as the Hambro issue was known on the 'Change.

In 1852, after the striking success of Cavour's policy of boldness, Rothschild offered to underwrite the two million in *rentes* (nominal capital forty million) remaining from the authorization of 1850 at the exceptionally favorable price of ninety-two.<sup>27</sup> Cavour had no intention of raising another loan so quickly, as he was still raking in the proceeds of the Anglo-Sard; but in order not to give offense to Rothschild, he submitted the proposal to the Sardinian parliament with the observation that he would probably be able to get along without it until the following year. His parliamentarians took the hint, and the proposal was rejected.<sup>28</sup> In January, 1853, he offered these same *rentes* to Rothschild at a price of ninety-five; Rothschild countered with eighty-eight. In the end, they agreed upon a price of ninety-two, but with the first coupon detached, which actually gave the Sardinian treasury a yield of 94.50—four points above the highest quotation of the Anglo-Sard.<sup>29</sup> Cavour

<sup>24</sup> Cavour to Count Revel (special emissary in London), Turin, July 9, 1851, *Lettere*, I, 198.

<sup>25</sup> *The Times* (London), July 8, 1851.

<sup>26</sup> Cavour to Revel, Turin, July 5, 1851, *Lettere*, I, 193-94.

<sup>27</sup> Cavour to De La Ruë, Feb. 1, 1852, *Nouvelles lettres*, p. 434; cf. Corti, *Reign of the House of Rothschild*, p. 308.

<sup>28</sup> Corti, p. 309.

<sup>29</sup> Cavour to Revel, Turin, Jan. 8, 1853, *Lettere*, II, 8.

had thus come full circle in his financial dealings, and Piedmont was no longer a beggar at the doors of *la haute banque*.

V

Determined to make Sardinia into a modern nation in the shortest possible time, Cavour continued to push economic development and make large expenditures on public works. By the end of 1854, the state had spent more than two hundred million lire on railways alone.<sup>30</sup> Completion of the line from Turin to Genoa required another loan in 1853, but owing to the greatly improved credit standing of Piedmont, Cavour decided that an issue of 3 per cent *rentes* would be preferable to the fives then outstanding.<sup>31</sup> In the event that it became desirable at some future date to convert the fives into threes, it would be essential to issue the new *rentes* on the Continent rather than in England, in order that the interest on the new loan might be payable in Paris, where the bulk of the outstanding debt was already held. Cavour did not, however, advise Rothschild of this possibility but continued to encourage bids from England, and particularly from Hambro. At the same time, to ensure competition on Rothschild's home ground, he entered into preliminary negotiations with B. F. Fould & Fould-Oppenheim of Paris, associates of the *Crédit Mobilier*. As a result, Rothschild gave the best price ever received by Piedmont for a loan: seventy, less 2 per cent commission, for an issue of 3 per cent *rentes*, thus making the effective interest rate less than 4½ per cent. In writing to a friend concerning the outcome of the negotiations, Cavour stated: "You will note that the rivalry with Fould was worth several millions to us."<sup>32</sup>

Cavour's economic and financial policies succeeded beyond all expectation. The "Cavourian decade" was one of continually mounting prosperity as well as diplomatic triumph for Piedmont. Foreign trade increased, new industries were established, and individual wealth grew apace. In 1854, Cavour decided to raise internally a small loan (L.44,000,000) for public works, although Rothschild was given a share and agreed to stand behind it in case the public subscription should be disappointing. Actually, the public response was so great that not all subscriptions could be filled. They came in from every province and from towns and villages of all sizes; there were few large takers

<sup>30</sup> Duke de Guiche to Ministre des Affaires Etrangères, Turin, Feb. 21, 1855, Archives Nationales (France), F<sup>14</sup>.8627.

<sup>31</sup> Cavour to De La Ruë, Feb. 27, 1853, *Nouvelles lettres*, p. 451.

<sup>32</sup> *Ibid.*, Mar. 2, 1853, pp. 452-53.

(the average subscription amounted to only 250 francs of *rentes*), but the many small ones more than made up for their absence.<sup>33</sup>

Despite the gratifying results of his policies, further evidenced by the fact that, apart from the Crimean War loan from the English government, no more borrowing was necessary until 1858, Cavour insisted on maintaining personal control of the nation's finances. He retained for himself the post of minister of finance after assuming the presidency of the cabinet in 1852. For a time in 1855, after the resignation of his minister for foreign affairs, he carried all three posts simultaneously, but the strain was too great. A cabinet reorganization permitted him to drop the newest of his responsibilities, thereby leaving him free to devote his efforts to "financial affairs, which, in the final analysis, are the most important."<sup>34</sup> Except for short periods, he continued to carry the posts of minister of finance and prime minister until after the successful conclusion of the war against Austria in 1859.

## VI

In the spring of 1858, with the war clouds already gathering, Cavour called for a new loan to strengthen the military and naval establishments. When his parliament finally approved the bill, after long and tiresome debates, Cavour immediately entered into negotiations with Rothschild.<sup>35</sup> The loan consisted of 5 per cent *rentes* issued at an average price of 86.38, for a net yield of slightly more than 39 million on a nominal capital of 45.4 million.<sup>36</sup>

At the very time Cavour negotiated the loan contract with Rothschild, he was preparing himself for his famous secret rendezvous with Napoleon III at Plombières. Among the questions he wished to discuss were: "In what proportions will the costs of the war be supported?" and "Will France furnish Piedmont the means for raising a loan?"<sup>37</sup> He found the French emperor as concerned with finances as he himself was. In reporting to Victor Emmanuel on the outcome of the conference, he stated: "Agreed on the military question, we were as well on the financial question, which, I should inform Your Majesty, was the one which especially preoccupied the Emperor. He consented, nevertheless, to furnish us the war material which we will need and

<sup>33</sup> *Ibid.*, Apr. 21, 1854, and May 3, 1854, pp. 471-72, 473.

<sup>34</sup> *Ibid.*, June 3, 1855, p. 489.

<sup>35</sup> Corti states that "on that occasion [Cavour] felt that Rothschild was too high and mighty," and does not indicate that the loan was actually issued (*Reign of the House of Rothschild*, p. 374).

<sup>36</sup> Achille Plebano, *Storia della finanza italiana dalla costituzione del nuovo regno alla fine del secolo XIX*, 3 vols. (Turin, 1899-1902), I, 57; Sachs, *Italie*, p. 442.

<sup>37</sup> "Memorie diverse portata a Plombières da S. E. il Conte di Cavour," *Il Carteggio Cavour-Nigra dal 1858 al 1861*, 5 vols. (Bologna, 1926), I, 98.

to facilitate the negotiation of a loan in Paris.”<sup>38</sup> Napoleon further emphasized his concern with finance and logistics in a letter to Cavour dealing with preparations for the war: “I recommend that you pay great attention to two essentials: (1) the financial question; (2) the question of supplies. One cannot prepare himself too carefully.”<sup>39</sup>

A man as meticulous in his attention to details as Cavour scarcely needed this bit of fatherly advice. As winter approached, he got down to the specifics of raising the money. He interpreted the agreement that Napoleon would “facilitate” a Sardinian loan in Paris to mean a guarantee by the French government to the investors, thus granting Piedmont the same credit standing as France. But Costantino Nigra, his special envoy in Paris, informed him that such a thing was out of the question, as Napoleon did not yet wish to tip his hand to Austria. Instead, Prince Napoleon, with the approval of the emperor, proposed selling the Piedmont state railways to a French company and promised the influence of the French government with the *Crédit Mobilier* or any other likely combination.<sup>40</sup>

This proposal astonished Cavour; he did not object in principle to selling the railways, but time did not permit such a complex transaction. Besides, the holders of the Hambro loan had a mortgage on the railways with an option to buy them if the state wished to sell. Cavour reiterated his demand for a loan but modified the amount; if France would furnish thirty million, Piedmont itself would give fifty.<sup>41</sup> Still Napoleon would not consent to a direct appeal for funds in France, but he had three new suggestions: the establishment of a land bank on the model of the French *Crédit Foncier*, which would make loans to Piedmont and issue its own bonds in France and England; the fusion of the Turin *Mobilier* (Rothschild’s weak facsimile of the great French institution established in 1856 to keep the *Crédit Mobilier* out of Italy) with the Paris original; or the raising of a loan in London.<sup>42</sup>

Of the emperor’s three suggestions, only the second struck Cavour as feasible, but he reacted to this notion with mild enthusiasm and soon began to work out a scheme in his own mind. The *Crédit Mobilier*, in addition to absorbing the Turin bank, would make an advance of thirty million francs

<sup>38</sup> Cavour to Victor Emmanuel, Baden, July 24, 1858, *ibid.*, I, 108; see also I, 313–15. In the definitive secret treaty of alliance, drawn up in December, 1858, but not finally ratified until January, 1859, it was provided that the “costs of the war will be supported by the Kingdom of Upper Italy,” which was to reimburse French expenditures by allocating one tenth of each annual budget until the charges were liquidated. The unexpected conclusion of the war necessitated a modification of this provision.

<sup>39</sup> Compiègne, Nov. 2, 1858, *Carteggio Cavour-Nigra*, I, 197.

<sup>40</sup> Nigra to Cavour, Paris, Dec. 4, 1858, *ibid.*, I, 231.

<sup>41</sup> Cavour to Nigra, Turin, Dec. 9, 1858, *ibid.*, I, 234–36.

<sup>42</sup> Nigra to Cavour, Paris, Dec. 13 and 15, 1858, *ibid.*, I, 241–42, 246–47.

to Piedmont with the understanding that it would eventually have the privilege of buying all the state railways and the majority of the privately-owned lines as well. No difficulty would arise in getting the consent of the stockholders of the Turin Mobilier, for it had fallen into hard times and might have to be liquidated in any case. Cavour felt less certain about the willingness of the directors of the *Crédit Mobilier*, as he had collaborated with Rothschild in sidetracking their earlier ambitions for expansion in Italy. "I fear that Messieurs Pereire may have retained their rancor against me for not having granted them the privilege which they requested. For quite a while they were altogether furious with me. . . . For my part I have forgotten all, and I would be charmed to deal with them. . . . Prince Napoleon should have a great influence [with them]; urge him to use it at once. . . . M. d'Eichthal I know well. . . . Bixio, who is very close to those gentlemen of the Place Vendome, could aid us greatly."<sup>43</sup>

This scheme inevitably affected the Victor Emmanuel Railway, the largest private railway company in the kingdom and one which was already 90 per cent French. Cavour's original plan, which had the backing of Prince Napoleon, would allow the *Crédit Mobilier* to purchase control of the Victor Emmanuel. However, the directors of the railway, presided over by Cavour's close friend, Charles Laffitte, rejected this scheme outright. Bixio, a director of both the *Crédit Mobilier* and the Victor Emmanuel, served as mediator and proposed as an alternative that the Victor Emmanuel issue bonds guaranteed by Piedmont and underwritten in France by the *Crédit Mobilier*;<sup>44</sup> but the Pereires did not even consider that proposal.

The negotiations dragged through the latter part of December and the first half of January with no satisfactory results. The protagonists worked at cross purposes, each with his own variant of the scheme; and as yet no one had persuaded the Pereires to agree even in principle.<sup>45</sup> Meanwhile, a fortuitous event changed the complexion of the entire situation: Austria reenforced

<sup>43</sup> Cavour to Nigra, Turin, Dec. 17, 1858, *ibid.*, I, 251-52. Adolphe d'Eichthal, the same whose advice on railway matters Cavour requested in 1850, was an associate of the Pereires in the *Crédit Mobilier* and many other enterprises. Alexander Bixio, an Italian by birth and a close friend of Cavour, was also a director of several Pereire enterprises. Cavour had already attempted to reestablish contact with the Pereires for the construction of a railway from Genoa to La Spezia (Bixio to Cavour, Paris, Oct. 28, 1858, *ibid.*, I, 172).

<sup>44</sup> Cavour to Prince Napoleon, Turin, Dec. 23, 1858, *ibid.*, I, 256-57; Cavour to Napoleon III, Turin, Dec. 29, 1858, *ibid.*, I, 263-64. In 1857, when the Victor Emmanuel added two lines in Piedmont proper to its network in Savoy, a new law authorizing the construction of a tunnel through the Alps at Mont Cenis allowed forty million francs for the job—one half to be furnished by the railway and one half by the government. Presumably, if the scheme had worked out, the proceeds of the bond issue would have been made temporarily available to the Sardinian government.

<sup>45</sup> Cavour to Nigra, Turin, Jan. 9 and 11, 1859, *ibid.*, I, 291-92, 298.

its troops in Lombardy. No longer under the necessity of hiding the true purpose of the loan, Napoleon sent word that Cavour might "openly request the authorization of his Chambers to contract a loan" and be assured that the emperor would "facilitate by all means in his power the execution of the project"<sup>46</sup>—which was exactly what Cavour had wanted in the first place.

The situation changed, but not all for the better. The problem of finding takers for the loan remained. This was temporarily shelved for the celebration of the marriage of Prince Napoleon and Princess Mathilde and the completion of the final conventions of the alliance,<sup>47</sup> but on February 4, 1859, Cavour presented to his parliament a bill authorizing a loan of fifty million lire. He had originally intended to ask for only forty million, but in light of an announced Austrian loan of 150 million, he felt safe in pushing his request to the larger figure.<sup>48</sup>

The obvious possible underwriters for the loan—Rothschild, the Crédit Mobilier, and Fould—all wanted a very high price for their services. Rothschild, who had already undertaken to issue the Austrian loan, tried to play both ends against the middle—and keep all the pawns in place. Bixio reported to Cavour in January: "They are making a great effort here [in Paris] to persuade themselves that war will be avoided. Rothschild [*sic*] who, they say, wants to issue the Austrian loan, is playing for a rise, but there is no faith in it [the rumor]. The worm is in the fruit."<sup>49</sup>

Bixio negotiated with the Pereires on Cavour's behalf. They were willing, if they could get authorization from the French government to double the capital of the Crédit Mobilier, to advance up to fifty million francs on current account, the sum to be repaid within one year on the guarantee of the French government. They would also submit, "at an opportune moment," an offer to underwrite a long-term loan of fifty million to liquidate the short-term advances, but Piedmont would not be bound to accept the offer. Or, they would sell the loan in a public subscription for a commission, but they would not commit themselves to underwrite immediately and at a fixed price a long-term loan. Rothschild's attempted issue of the Austrian loan in early February failed miserably, and the Pereires feared that a public subscription in Paris for

<sup>46</sup> Nigra to Cavour, Paris, Jan. 10, 1859, *ibid.*, I, 296.

<sup>47</sup> Cavour to Villamarina, Turin, Jan. 23, 1859, *ibid.*, I, 306: "We have signed the treaty and the military convention; there remains the financial convention, which presents a few light difficulties, but I expect to surmount them." Cavour to Nigra, same date, *ibid.*, I, 307: "I have concluded the financial convention. . . ."

<sup>48</sup> Cavour to Prince Napoleon, Turin, Feb. 5, 1859, *ibid.*, II, 3.

<sup>49</sup> Paris, Jan. 19, 1859, *ibid.*, I, 305.

the Piedmont loan would be the signal for a "general debacle which nothing could prevent."<sup>50</sup>

Cavour himself did not favor a public subscription without a firm commitment by the underwriters but persevered in thinking that his customary game of bluff might pay another dividend. "Rothschild [*sic*] . . . has called to Paris in all haste his correspondent in Turin, and everything leads me to believe that he is afraid of losing the monopoly with regard to our *rentes* which he has exercised for a number of years."<sup>51</sup> If Rothschild had offered to take the loan at a fixed price, it would have been his, but he could not be drawn into that. As a last resort, Cavour decided to let the Crédit Mobilier issue the securities on a commission basis, if they would agree to take at least ten or fifteen million of the long-term securities in order to support the price. "If after having divorced Rothschild [*sic*] we marry Messieurs Perreire [*sic*], I believe we would get along very well together."<sup>52</sup> The Pereires countered with a final offer to underwrite the entire loan, but at a price of seventy-five for 5 per cent *rentes*, which even Prince Napoleon felt was too low. He complained to Victor Emmanuel that "the money is in the hands of the partisans of peace, and it will not be easy to make them give it up for armaments in Italy."<sup>53</sup>

Cavour, having bluffed to the limit, prepared to lay his hand on the table and face the consequences. Throughout the winter, encouraging reports came in from his agents in other parts of Italy, and he decided to raise the loan "with the aid of the Lombards and Tuscans." France and England would lend their money more readily after the war began than "at this moment when the bankers of all countries are organized in a kind of conspiracy in favor of peace."<sup>54</sup>

On March 3, 1859, Cavour offered one half the authorized amount of the loan for public subscription throughout Piedmont at a price of seventy-nine; various bankers in Italy and abroad took the remainder on contract. After the refusal of the great French banks to go along on acceptable terms, Cavour did not dare open a public subscription in Paris but solicited subscriptions from France as a means of counteracting the unfavorable effects of the bankers'

<sup>50</sup> Bixio to Cavour, Paris, Feb. 9, 1859, *ibid.*, II, 5-6.

<sup>51</sup> Cavour to Prince Napoleon, Turin, Feb. 13, 1859, *ibid.*, II, 13.

<sup>52</sup> Cavour to Bixio, Turin, Feb. 13, 1859, *ibid.*, II, 11. Cavour, even in this hour of tension, was looking ahead to opportunities for developing Italian industry. As late as January, 1861, he was still trying to persuade the Pereires to assist in his program by establishing a bank in recently conquered Naples (Cavour to Bixio, Jan. 9, 1861, *ibid.*, IV, 352).

<sup>53</sup> Prince Napoleon to Victor Emmanuel, Paris, Feb. 18, 1859, *ibid.*, II, 23.

<sup>54</sup> Cavour to Prince Napoleon, Turin, Feb. 25, 1859, *ibid.*, II, 25.

obstinacy; he even suggested that Prince Napoleon use his young wife's dowry to purchase *rentes*.<sup>55</sup>

Cavour's hand was good. Subscriptions poured in for small amounts but in great numbers from all over the kingdom, from Paris, Leghorn, Florence, the States of the Pope, and even from under the heel of the archenemy in Milan. The public oversubscribed its allotment within a few days, and Cavour exulted: "We could have gathered 80 million in place of 50 . . . I daresay that is the proof that our policy is eminently national [i.e., Italian]." Nor could he refrain from taunting the bankers: "The finance minister had the satisfaction of refusing the demands of the Great Barons of Paris banking. I hope the Prince [Napoleon] sees now that we did right in not submitting to the yoke of the Pereires and Foulds."<sup>56</sup> Losing no chance to magnify the success of his policy, Cavour had his journalistic friends and henchmen in Paris emphasize both the refusal of the bankers and the great success of the public subscription.

The cost of unity, however, exceeded even Cavour's shrewd estimates. The direct cost of the war, as short as it was, came to eighty-nine million lire; to this it was necessary to add the indemnities paid to Austria and to France for its participation, along with three fifths of the debt of Lombardy-Venetia, assumed by Sardinia. The total came to almost four hundred million lire, of which about one half was raised in Paris.<sup>57</sup> That was for extraordinary expenses in 1859 alone; and Italy was not yet a nation.

To help close the deficit, the government asked the Italian public to subscribe for a capital of one hundred million lire in November, 1859; it replied with subscriptions for four times that amount, almost half of them coming from the newly-liberated provinces of Lombardy, Tuscany, and Romagna.<sup>58</sup> In June, 1860, with Garibaldi in Sicily and Piedmontese troops on the verge of crossing into Umbria and the Marches, a new call for 150 million elicited subscriptions for more than 500 million lire.<sup>59</sup> Such was the patriotic appeal of a successful policy of unification.

<sup>55</sup> Cavour to Nigra, Turin, Mar. 1 and 4, 1859, *ibid.*, II, 46, 50. See also Plebano, *Finanza italiana*, I, 58, and Sachs, *Italie*, p. 443.

<sup>56</sup> Cavour to Nigra, Turin, Mar. 9, 1859, *Carteggio Cavour-Nigra*, II, 71; Cavour to D'Azeglio, Turin, Mar. 8 and 10, 1859, *Politique du Comte Cavour*, pp. 313, 316; see also *The Economist* (London), Mar. 12, 1859.

<sup>57</sup> Sachs, *Italie*, pp. 443-44. In accordance with the treaty of Zurich, Sardinia transmitted to France, for sale in Paris, new securities with a nominal capital of 183,249,160 francs. Sixty million represented payments for France's contribution to the war, the remainder an indemnity to Austria.

<sup>58</sup> Tour d'Auvergne to Ministre des Affaires Etrangères, Turin, Nov. 22, 1859, Archives de la Ministère des Affaires Etrangères (France), *Correspondance Commerciale, Turin*, T. 15, fols. 467-69.

<sup>59</sup> Sachs, *Italie*, p. 445.



## VII

On the eve of 1848, the public debt of the Kingdom of Sardinia amounted to 135 million lire. Between 1848 and 1860, new securities with a face value of almost 1,200 million lire yielded the Sardinian treasury approximately 950 million; more than half of this sum came from France.<sup>60</sup> To the 500 million lire invested by Frenchmen in public securities should be added a like amount to account for French investments in private enterprises in the kingdom. This represented approximately one half of the newly-created capital employed in industry, foreign commerce, transport, banking, insurance, and public utilities—in short, in every economic activity except agriculture, handicrafts, and retail trade. In 1860, there were in all of Italy 281 *societe anonime* (limited liability joint stock companies) and 96 *accomandite* (limited partnerships with shares) with a combined capital of roughly 1,350 million lire. More than two thirds of these were located in Piedmont, and the greater part both there and elsewhere were “due to French initiative and formed with the assistance of French capital.”<sup>61</sup> The Victor Emmanuel Railway, the largest private undertaking in the kingdom, alone employed some ninety million francs in French capital; banking and insurance used almost exclusively foreign capital, mainly French; in industry, French capital was employed in silk, cotton, mining, metallurgy, and public utilities.

In 1848, the government of Carlo Alberto, its foreign credit negligible, could scarcely raise fifty million lire by means of a forced loan. In 1860, the government of Victor Emmanuel could easily raise ten times that amount without utilizing its substantial credit abroad. The changed situation resulted in large measure from the wise policies and skilled diplomacy of Cavour, but he could not have done the job without the prosperity induced by French investments and French enterprise in Sardinia.

Cavour, as the architect of Italian unity, built with the materials at hand and used the forces of the age to achieve his structure. The military support

<sup>60</sup> All of the figures cited here are estimates, based as far as possible on the details of the actual issues and supplemented by such information as is available in Plebano, *Finanza italiana*, and Sachs, *Italie*, neither of which is entirely reliable. Care has been taken not to overestimate the proportion of French capital. Britain, the only other important foreign creditor, contributed approximately 12 per cent of the total. The nominal capital of outstanding securities on January 1, 1860, was 1,045 million lire, but this does not account for debts retired between 1848 and 1860. Some indications of the difficulties of accurate accounting are shown by the fact that L. S. Sackville-West, a special agent of the British Foreign Office, on the spot in Italy in 1860, reported that Sardinia had raised a total of 2,150 million (including 750 million in France) since 1848, and his tabulations omitted several of the more important loans. See *British State Papers*, 1860, LXVI (Cd. 2716), 59.

<sup>61</sup> Tour d'Auvergne to Ministre des Affaires Etrangères, Turin, Apr. 19, 1858, *Corrèspodance Commerciale*, Turin, T. 15, fol. 145; see also Tremelloni, *Industria italiana*, pp. 136-37, and Sachs, *Italie*, pp. 741-42.

of Napoleon III and the French army raised the roof-tree over the edifice of united Italy; but thousands of Frenchmen from all walks of life had already helped lay the solid foundations of material progress and financial stability without which the superstructure would shortly have crumbled.

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